

Fraud Awareness Newsletter

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Office of the Inspector General
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Prosecutions **Credit Card Fraud**

A 10-count indictment was returned against Francisco V. Celindro, Christopher L. Johnson, Eva Marie Gompf and Sharon E. Hesselton charging all with various counts of conspiracy, credit card fraud and false military identification card violations. The defendants allegedly traveled from San Diego, CA, to Minneapolis, MN, under assumed identities using false U.S. Military identification cards. The four then obtained stolen credit cards and manufactured additional U.S. Military identification cards in the names of the stolen credit cards. Using the stolen credit cards, the four purchased five laptop personal com-

puters valued in excess of \$15,000 from several stores in Bloomington and Edina, MN. Special Agent Kevin Gjertsen, Minneapolis Post of Duty (POD), is conducting the investigation jointly with the U.S. Secret Service and the Edina and Bloomington, MN, Police Departments.

Health Care Fraud

Two indictments were unsealed against Dr. Ricardo Asch and Dr. Jose Balmaceda, formerly of the now defunct Center for Reproductive Health (CRH), University of California Irvine. The CRH provided medical care to patients experiencing acute difficulty in bearing children. The CRH was operated by Asch, Balmaceda and Dr. Sergio C. Stone from two offices located at the Irvine Medical Center, University of California, and the Saddleback Memorial Medical Center, Laguna Hills, CA. Asch is charged in the first indictment with 10 counts of mail fraud and 10 counts of introducing an unapproved drug into interstate commerce. Asch allegedly misappropriated human eggs from his patients and without their

consent used the eggs to make embryos for other patients. In addition, Asch sold an unapproved fertility drug to his patients. Asch and Balmaceda are charged in the second indictment with 20 counts of mail fraud. Both doctors allegedly created false operative reports that disguised the true nature of the services they provided their patients. These documents were used to bill medical insurance companies that included the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Asch and Balmaceda have fled the country to avoid prosecution. Special Agent James Schaeffer, Western FO, is conducting the investigation with the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), the U.S. Customs Service and the State of California Medical Board.

Product Substitution

Informations were filed in U.S. District Court, Columbus, OH, against Electronic Parts Inventory Corporation (EPIC), Zahid Chaudry, president and primary stockholder of EPIC, and Allen Miles, former Government sales manager at EPIC. Each was charged with conspiring to commit mail fraud. From 1990 through 1993, the defendants obtained Department of Defense (DoD) contracts and subcontracts for which they allegedly

purchased nonspecification surplus connectors, obliterated manufacturer's markings, falsely labeled and packaged the surplus parts as meeting specifications and received payment for these parts. Special Agent Bret Flinn, Dayton Resident Agency (RA), is conducting the investigation with the FBI.

Surplus Property

An information was filed against Chester Hirano, reserve police officer for the Honolulu Police Department (HPD), Honolulu, HI, charging him with theft and conversion of Government property. He subsequently pled guilty to the charge. From 1995 through 1997, Hirano conspired to divert property from the Defense Reutilization and Marketing Office (DRMO) Hawaii. He used his position with the HPD to divert the property for his personal use. Special Agent Lynne Lowe, Hawaii POD, is conducting the investigation jointly with the FBI and the IRS.

Fuel Theft

Hampartsoum Hgop Kouroumlian pled guilty in U.S. District Court, Los Angeles, CA, to conspiracy. On October 30, 1997, a jury trial of Kouroumlian resulted in a "hung" jury. The guilty plea is the result of a plea agreement between Kouroumlian and the U.S. Attorney for the Central District of California. Kouroumlian was a member of the "Mikaelian Organization." Its leader and other members were involved in the fraudulent obtaining, theft and sale of \$8 million of fuel in a 3-month period. An undetermined portion

of that stolen/fraudulently obtained fuel was from the Defense Fuel Supply Center, San Pedro, CA. Kouroumlian owned and operated the Vegas Truck Stop, Yermo, CA, a large truck stop/service station, through which the stolen fuel was sold to the public. Special Agent Robert Koger, El Segundo RA, conducted the investigation with the FBI, the IRS, the Los Angeles and Long Beach, CA, Police Departments and the California Department of Justice.

Embezzlement

Jane Elizabeth Plymire, former disbursing officer, Naval Surface Warfare Center, Dahlgren, VA, was convicted on five counts of theft of Government property, totaling \$13,000. An investigation disclosed that 56 cash deposits, totaling \$123,526, were missing from the Disbursing Office at the Naval Surface Warfare Center, Dahlgren, VA. The money was received from various activities on the base. Plymire was responsible for depositing these funds into the Dahlgren disbursing account via the Federal Reserve Bank of Richmond. Special Agent Scott Stokes, Mid-Atlantic FO, conducted the investigation with the Naval Criminal Investigative Service (NCIS), with audit assistance from the Defense Finance and Accounting Service, Cleveland, OH, and the DoD Assistant Inspector General for Auditing, Arlington, VA.

Health Insurance

Thelma Johnson pled guilty to one count of conspiracy to defraud Government health care

programs. Johnson, as the owner and operator of the Florida Impotence Clinic, Tampa, FL, received kickbacks for referring patients to a diagnostic services company. The patients referred included patients covered by CHAMPUS. Special Agent Robert Calvert, Orlando RA, conducted the investigation with the IRS, the Department of Health and Human Services (HHS) and the U.S. Postal Inspection Service (USPIS).

Health Care

Charles T. Rubio, Opelika, AL, pled guilty to filing false claims. From about January 1993 through July 1995, Rubio knowingly made and caused to be made claims for payment of psychological services provided to CHAMPUS and Medicare patients. Those services had not been provided. Special Agent Charles Suttles, Southeast FO, conducted the investigation with the FBI.

Health Care

Dr. David E. Sternberg, a psychiatrist practicing in the Kansas City metropolitan area, was convicted on 13 counts of mail fraud, 1 count of interstate transportation in the aid of racketeering and 21 counts of money laundering. An investigation revealed that since 1990, Sternberg conducted a scheme that included submitting claims to Medicare for services not performed, paying kickbacks of 15 percent of the amount he collected for treating patients referred to him by a psychologist, laundering money, and soliciting

a bribe of \$250,000 and the referral of 25 new patients per month from a psychiatric hospital in return for agreeing to refer patients to that hospital for hospitalization. Special Agent Troy Bird, Kansas City RA, conducted the investigation jointly with the FBI.

Sentences Welfare Fraud

Denise M. Hubert, also known as Maria D. Lopez, Philadelphia, PA, pled guilty to one count of welfare fraud and was sentenced to 5 years probation and restitution of \$16,767. From about July 1, 1992 through April 30, 1994, Hubert obtained \$16,767 in welfare benefits from the Commonwealth of Pennsylvania Department of Public Welfare under the pretense she had no income from employment. An investigation disclosed that Hubert earned over \$20,814 from the Defense Personnel Support Center, Philadelphia, PA, during the same period while working under the alias Maria D. Lopez. Special Agent Margaret Maestas, Northeast FO, conducted the investigation with the Philadelphia District Attorney's Office and the Office of Inspector General (OIG), Commonwealth of Pennsylvania.

Freight Forwarding

William Healy Hines and John Thomas Gillespie, both formerly employed by Daniel F. Young, Incorporated, Harman, MD, were sentenced to 41 months in prison and 2 years probation; each was ordered to pay a \$50 special assessment and \$75,000 in restitution to the Government. Hines

and Gillespie were convicted of conspiracy to defraud the U.S. Government, to launder monetary instruments and to commit wire fraud. Gillespie was also convicted of submitting false claims and filing false Federal income tax returns. Hines and Gillespie conspired with Sylvan Friedman to defraud the DoD, commit wire fraud and launder the proceeds of a fraud scheme relating to freight forwarding services provided under the Foreign Military Sales Financing Program. Friedman was previously sentenced to 70 months in prison and to pay \$1 million in restitution. Special Agent Richard Latham, Mid-Atlantic Field Office (FO), conducted the investigation jointly with the FBI and the IRS.

Fuels Contracts

Jacqueline Plecas, president of Med-Atlantic Petroleum Corporation (Med-Atlantic), was sentenced in U.S. District Court, District of New Jersey, to 27 months in prison, 3 years probation, \$15,000 in restitution and a \$250 special assessment fee. Plecas conspired with her subcontractors to fraudulently overcharge on Defense Fuel Supply Center contracts. From 1990 to 1994, Plecas and Med-Atlantic overcharged the DoD in excess of \$20 million by misstating and inflating fuel prices for bunker fuel in excess of those permitted to be charged under the applicable contracts. The scheme included overstating prices, falsifying competitive quotes, concealing overcharges in payments to shell corporations and dividing

the proceeds among the co-conspirators. Plecas also made false statements in a bankruptcy proceeding in relation to the 1994 bankruptcy filing for Med-Atlantic. Plecas has been suspended from Government contracting and debarment proceedings are pending. Special Agent Kenneth Siegler, New York RA, conducted the investigation with the IRS and the NCIS.

Health Care

John E. Stauch, owner and operator of Annandale Medical Services (AMS), Annandale, VA, was sentenced to 6 months of electronically monitored home detention, 3 years probation and a \$100 special assessment. In addition, Stauch was ordered to pay civil restitution of \$277,500. Stauch previously pled guilty to mail fraud and tax evasion. The AMS specialized in chelation therapy, the administration of a man-made amino acid called ethylenediamine tetracetic acid (EDTA). In cases such as heavy metal poisoning (lead or mercury), CHAMPUS will approve the administering of EDTA, which is conducted intravenously. Stauch, a Ph.D. nutritionist, was not a licensed medical doctor and therefore not authorized to administer EDTA. From 1994 through 1996, Stauch performed the EDTA intravenous infusion therapy, then billed the services under the provider number and signature stamp of a licensed medical doctor; billed for office visits under the medical doctor, when he conducted the office visit in conjunction with the intravenous in-

fusion. These services were billed to CHAMPUS, Medicare and the Federal Employees Health Benefits Program for which Stauch received approximately \$267,500. During 1994 and 1995, Stauch took funds from AMS earnings to pay personal expenses that included mortgages and related expenses on three personally-owned properties. Special Agent Ed Bosak, Mid-Atlantic FO, conducted the investigation with the IRS, the HHS and the USPIS.

Aircraft Parts

Ronald Drellich, president of Federal Air Accessories (Fed-Air), Hollywood, FL, was sentenced to 5 months incarceration, 5 months supervised release (electronic ankle brace) and 3 years probation. No fine or restitution was imposed due to Drellich's financial status. Drellich previously pled guilty to mail fraud. Fed-Air was identified as dealing in bogus aircraft parts. An investigation determined Drellich supplied parts not manufactured in accordance with Federal Aviation Administration (FAA) regulations to FAA-certified repair stations in south Florida. The suspect parts included generator parts, used primarily in large commercial jet engines, which the Original Equipment Manufacturer determined to be unapproved and nonairworthy. Fed-Air also supplied aircraft parts to the U.S. Military. Special Agent Michael Parker, Fort Lauderdale POD, conducted the investigation with the FBI and the Department of Transportation.

Civil Settlements **Mischarging on C-17**

The McDonnell Douglas Aerospace/Douglas Aircraft Company (DAC), Long Beach, CA, entered into a settlement agreement with the Government in which DAC agreed to pay \$3.1 million to resolve issues relating to cost mischarging on the C-17 Military Transport Plane (MTP) program. The DAC did not admit liability. The suit alleged that DAC accepted defective, nonconforming tooling items from subcontractors for the C-17 MTP to maintain the appearance of meeting production milestones and to obtain progress payments. It was also alleged that DAC reworked some of the defective tooling and billed the rework under its prime contract with the Government, thereby double billing the Government for the same tool. Special Agent Nelson Navarro, Western FO, conducted the investigation.

Contract Fraud

The Ceridian Corporation, Computing Devices International (CDI), Bloomington, MN, reached a civil settlement agreement with the U.S. Attorney's Office, District of Minnesota. The CDI has agreed to pay the Government \$625,000 to settle claims relating to the U.S. Navy AN/AYK-14 hardware and support (AYK) program. The CDI produces airborne computer units under the AYK. The avionic computers associated with this program are used on several different military air-

craft. Of the 91 flatpack integrated circuits used in the AYK program, CDI identified 11 as obsolete and the other 80 as potentially obsolete during the proposed period of contract performance. The Navy negotiators subsequently agreed to compensate CDI for managing the apparent risk of obsolescence. However, CDI never informed the Navy that purchase agreements had been negotiated with flatpack integrated circuit suppliers that minimized the risk CDI faced. Special Agent Craig Adams, Minneapolis POD, conducted the investigation with audit assistance from the Defense Contract Audit Agency (DCAA).

Environmental Crimes

Kanawha River Towing, Incorporated (KRT), Point Pleasant, WV, and Campbell Transportation Company (CTC), Charleroi, PA, agreed to pay \$1.85 million to settle a civil suit alleging violations of the False Claims Act under a DoD contract awarded to GLR Constructors (GLR). The KRT and CTC will be dismissed as defendants in the suit. The GLR was awarded a DoD contract, worth over \$218 million, for the reconstruction of the Robert C. Byrd Lock and Dam on the Ohio River. It was determined that GLR and its subcontractors, which included KRT and CTC, intentionally discharged various pollutants directly into the Ohio River during the construction project. Special Agent Theresa Quellhorst, Dayton RA, conducted the investigation with the FBI.



To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

CENTRAL Field Office
1222 Spruce Street
Room 8.308E
St. Louis, MO 63103-2811
Voice: (314) 539-2172
Telefax: (314) 539-2967
E-Mail: 40sl@dodig.osd.mil

CHICAGO Resident Agency
2350 E. Devon Ave., Suite 150
P.O. Box 483
Des Plaines, IL 60018-4606
Voice: (847) 827-9480
Telefax: (847) 827-3724
E-Mail: 40ch@dodig.osd.mil

CLEVELAND Resident Agency
7550 Lucerne, Suite 200
Islander Park One Building
Middleburg Heights, OH 44130
Voice: (216) 522-2296/7
Telefax: (216) 522-7196
FTS: 942-2296/7
E-Mail: 40cl@dodig.osd.mil

COLUMBUS Resident Agency
P.O. Box 13163
Whitehall Branch,
Columbus, OH 43213-0163
Physical Location:
Defense Supply Center
3990 E. Broad St., Bldg. 100
Columbus, OH 43213-5000
Voice: (614) 692-3629/3855
Telefax: (614) 231-8905
E-Mail: 40co@dodig.osd.mil

DAYTON Resident Agency
3055 Kettering Blvd.
Suite 205
Dayton, OH 45439
Voice: (937) 534-0100
Telefax: (937) 534-0117
E-Mail:
40dy.rac@dodig.osd.mil

KANSAS CITY Resident Agency
Federal Building, Room 565
500 State Street
Kansas City, KS 66101-2433
Voice: (913) 551-1350
Telefax: (913) 551-1362
E-Mail: 40kc@dodig.osd.mil

INDIANAPOLIS Post of Duty
Attn: Column 117W
8899 East 56th Street
Indianapolis, IN 46249-4500
Voice: (317) 542-4009
Fax: (317) 542-4012
E-Mail: 40in@dodig.osd.mil

MILWAUKEE Post of Duty
301 W. Wisconsin Ave.
Suite M-95
Milwaukee, WI 53203
Voice: (414) 297-1810
Telefax: (414) 297-1817
E-Mail: 40ml@dodig.osd.mil

MINNEAPOLIS Post of Duty
Galtier Plaza, Box 14, Suite 414
175 East Fifth Street
St. Paul, MN 55101-2901
Voice: (612) 222-0212
Telefax: (612) 222-8316
E-Mail: 40mn@dodig.osd.mil

SIOUX FALLS Post of Duty
230 S. Phillips Ave., Suite 404
Sioux Falls, SD 57102
Voice: (605) 330-4211
Telefax: (605) 330-4410
E-Mail: 40sx@dodig.osd.mil

WICHITA Post of Duty
53456 Lawrence Ct. Suite 230
McConnell AFB, KS 67221
Voice: (316) 682-1991
Telefax: (316) 682-1609
E-Mail: 40wc@dodig.osd.mil

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The Pentagon
Washington, DC 20301-1900
Voice: (800) 424-9098
Voice: (703) 604-8546
E-Mail: hotline@dodig.osd.mil*

